
March 28, 2023

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Information – House Bill 12 – Equitable and Inclusive Transit-Oriented Development Enhancement Act

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on House Bill 12 but offers the following information for the Committee’s consideration.

House Bill 12 proposes changes to programs and agency functions in the interest of supporting State involvement in equitable and inclusive Transit-Oriented Development (TOD). The MDOT actively supports these goals and works closely with State and local partners to promote TOD as an approach to increase transit ridership and support economic development, while maximizing the efficient use of transportation infrastructure. House Bill 12 includes a stated intent to ensure that “the Department make all reasonable attempts to include TOD as part of the preferred plan for development in areas served by transit services.” The MDOT is engaged in several ongoing efforts that currently align with this intent. The MDOT manages several State and federal programs for planning and infrastructure development and consistently seeks opportunities to leverage such programs in support of TOD. By closely coordinating with the Department of Housing and Community Development and other key agencies of the Smart Growth Subcabinet (including Departments of Planning, Commerce, and Natural Resources), the MDOT has been able to leverage broader expertise and programs to support affordable housing and other non-transportation elements.

House Bill 12 would involve broader State agency involvement in the process of TOD designation, by requiring that the Smart Growth Subcabinet have direct approval powers, rather than be asked to comment for a TOD Designation by the Transportation Secretary. By mandating broader State agency involvement in the designation process, House Bill 12 can be expected to facilitate the process to coordinate cross agency-investments in TOD Projects and may strengthen the State’s capacity to support equitable TOD outcomes, and to implement the proposed new program. This process, however, can also be expected to entail a more complex and prolonged vetting process to inform designation as a step towards program eligibility.

House Bill 12 also introduces new TOD reporting requirements for MDOT; steps have already been taken to make this information readily available. Over the past several years, the MDOT has partnered with many other State agencies to develop an interactive website, the State TOD Hub, that serves as a springboard for local jurisdictions, planners, elected officials, non-profit organizations, educational institutions, real estate professionals, and the general public. The website provides access to the “Transit Station Area Profile Tool” which provides interactive access to the most recent demographic, socio-economic, and ridership data for all of Maryland’s fixed rail stations. Additional use and more active involvement of other agencies for updates, however, would likely be required to achieve the requirements included in House Bill 12.

The Honorable Guy Guzzone
Page Two

House Bill 12 would require MDOT to create and manage a new TOD Capital Grant and Revolving Loan Fund to promote TODs throughout the State. The bill requires an appropriation in the State budget in an amount sufficient to ensure a fund balance of \$5M at the start of each year, and the upfront capitalization of the Fund is \$5M. It is unclear in the current bill if that funding is expected to come from the Transportation Trust Fund or another source of funding.

The amount and pace at which these funds would have to be replenished is difficult to estimate and would vary depending on the interest and utilization of the Fund, whether these are provided as grants or loans, the payback period and rate for loans, the size of grants/loans provided, and the availability of funding from other sources. These uncertainties may pose challenges for MDOT, not only in terms of projecting potential fiscal impacts, but also in managing cash flows and strategic investment to support the objectives of the program. By limiting eligibility to areas already served by transit, the fund could also inadvertently hinder efforts to also expand transit into currently underserved areas. Additionally, it is important to note that currently the TOD designation process begins with local jurisdictions, and that the proposed changes to how State agencies support TOD projects will not alter the significant role of local land use and investment decision-making related to TOD.

The TOD Capital Grant and Revolving Loan Fund described in House Bill 12 will likely benefit from broader state involvement in the TOD Designation process, particularly from the Department of Housing and Community Development, but it will still require MDOT to exercise responsibility for areas of expertise that are not currently in our purview. To achieve the stated intents of this bill, and to maximize the potential impact of state investments, MDOT anticipates that involvement by key agencies of the Smart Growth Subcabinet may be required to inform the Program's vetting process. Establishing a collaborative approach for investing in designated TODs will ensure that the Program benefits from expertise in affordable housing and small business lending of our partner state agencies, to help inform the scoring and assessment protocols. It is anticipated that MDOT may be required to devote considerable consultant resources to address these upfront needs.

House Bill 12, as amended, proposes several changes that may ultimately strengthen the State's TOD Program but may also complicate how it functions. In addition to the upfront costs, it is estimated that additional positions would be needed for MDOT to continuously manage the TOD Capital Grant and Revolving Loan Fund (and associated financial reporting requirements), and the TOD designation process. It is also anticipated that bill provisions mandating that MDOT provide technical services for planning and studies will result in additional and ongoing demands on MDOT's limited staff and consultant resources.

The MDOT looks forward to continued collaboration to ensure that our efforts to provide safe transportation infrastructure are also leveraged to support broader goals of economic development and equity in the State, and respectfully requests that the Committee consider this information when deliberating House Bill 12.

Respectfully submitted,

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